

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB SAC 20-03 Local Government Reporting

SPONSOR(S): State Affairs Committee

TIED BILLS: **IDEN./SIM. BILLS:** SB 1512

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: State Affairs Committee	19 Y, 3 N	Darden	Williamson

SUMMARY ANALYSIS

Each county and municipal budget officer is required, by October 15 of each year, to submit to the Office of Economic and Demographic Research (EDR), in a format and on forms prescribed by EDR, specified information regarding the final budget and the economic status of the local government.

Beginning January 15, 2021 (and each January 15 thereafter), the bill requires the Department of Financial Services (DFS) to generate and distribute a local government report depicting the fiscal and economic status of each county and municipality in the state and providing a comparative ranking with all other counties and municipalities. The local government report must be mailed to each household containing a registered voter and must be specific to the household's county (and municipality, if applicable). The report must assist the household in making direct comparisons of fiscal and economic metrics, fit on a single page, use colorful graphics, and provide the information in an easy-to-understand format. The report must include:

- Government spending per resident, including the rate for the five preceding fiscal years, for the county or municipality;
- Government debt per resident, including the rate for the five preceding fiscal years, for the county or municipality;
- Average county or municipal employee salary;
- Median income in the county or municipality;
- Average school grade for the county or municipality; and
- Crime rate for the county.

The bill also requires DFS to establish an interactive website, by January 15, 2021, that allows residents to compare certain information about counties and municipalities. In addition to the contents of the local government report, the website must provide the:

- Population of the county or municipality;
- Unemployment rate for the county or municipality;
- Percent of budget spent on salaries and benefits for county or municipal employees;
- Government revenue per resident for the county or municipality; and
- Number of special taxing districts located wholly or partially within the county or municipality.

The bill repeals the requirement that county and municipal budget officers report specified information regarding its final budget and the economic status of the local government to EDR. Instead, the bill requires counties and municipalities to submit to DFS, in a manner and format established by department rule, information necessary for the preparation of the local government report and interactive website. This information must be reported by October 15 of each year, beginning in 2020.

The bill may have an indeterminate fiscal impact on the state and local governments. See fiscal discussion.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Department of Financial Services

The Department of Financial Services (DFS) was formed, effective January 2003, by the merger of the Department of Insurance, Treasury, State Fire Marshal, and the Department of Banking and Finance.¹ The Chief Financial Officer (CFO) is the head of the department.²

Section 20.121, F.S., establishes the following 13 divisions (and one independent office) within DFS:

- Accounting and Auditing;
- Consumer Services;
- Funeral, Cemetery, and Consumer Services;
- Insurance Agent and Agency Services;
- Investigative and Forensic Services;³
- Public Assistance Fraud;
- Rehabilitation and Liquidation;
- Risk Management;
- State Fire Marshal;
- Treasury;⁴
- Unclaimed Property;
- Workers' Compensation;
- Administration; and
- Office of the Insurance Consumer Advocate.

DFS is also the parent agency for the Financial Services Commission, which consists of the Governor, Attorney General, CFO, and Commissioner of Agriculture.⁵ The Financial Services Commission has two subunits, the Office of Insurance Regulation and the Office of Financial Regulation.⁶ Both subunits are managed by directors selected by the commission and must have at least five years of relevant experience in the previous 10 years.⁷

Local Government Reporting

Financial Reports

Currently, local government entities that are required to provide an audit under s. 218.39, F.S., must submit an audit report and annual financial report to DFS within 45 days of completion of the audit report, but no later than nine months after the end of the fiscal year.⁸ Local government entities that are not required to submit an audit must submit an annual financial report to DFS no later than nine months

¹ See ch. 2002-404, Laws of Fla. (creating DFS and providing for reorganization of existing agencies).

² S. 20.121(1), F.S.

³ The Division of Investigative and Forensic Services is considered a criminal justice agency for purposes of ss. 943.045-943.08, F.S., and may conduct investigations within and outside of the state. The division includes the Bureau of Forensic Services; Bureau of Fire, Arson, and Explosives Investigations; Office of Fiscal Integrity; Bureau of Insurance Fraud; and Bureau of Workers' Compensation Fraud.

⁴ The Division of Treasury includes the Bureau of Deferred Compensation, which is responsible for administering the Government Employees Deferred Compensation Plan established under s. 112.215, F.S., for state employees.

⁵ S. 20.121(3), F.S.

⁶ S. 20.121(3)(a), F.S.

⁷ S. 20.121(3)(d), F.S.

⁸ S. 218.32(1)(d), F.S. A "local government entity" includes any county, municipality, or special district. S. 218.31(1), F.S.

after the end of the fiscal year.⁹ The annual financial report must be signed by the chair of the local governing body and the chief financial officer for the entity.¹⁰ The local government's website must contain a link to the DFS website where an interested person may view the entity's annual financial report.¹¹

Budget and Economic Reports

Each county and municipal budget officer is required, by October 15 of each year, to submit to the Office of Economic and Demographic Research (EDR),¹² in a format and on forms prescribed by EDR, specified information regarding the final budget and the economic status of the local government.¹³ Specifically, each county and each municipality must submit:

- Government spending per resident, including the rate for the five preceding fiscal years;
- Government debt per resident, including the rate for the five preceding fiscal years;
- Median income within the county or municipality;
- Average county or municipal employee salary;
- Percent of the entity's budget spent on salaries and benefits for the entity's employees; and
- Number of special taxing districts located wholly or partially within the county or municipality.

Effect of Proposed Changes

Beginning January 15, 2021, and each January 15 thereafter, the bill requires DFS, to generate and distribute a local government report depicting the fiscal and economic status of each county and municipality in the state and providing a comparative ranking with all other counties and municipalities. The local government report must be mailed to each household containing a registered voter and must be specific to the household's county (and municipality, if applicable). Such report must assist the household in making direct comparisons of fiscal and economic metrics, fit on a single page and use colorful graphics, and provide the required information in an easy-to-understand format. The local government report must include:

- Government spending per resident and debt per resident, including the rate for the five preceding fiscal years, for the county or municipality;
- Average county or municipal employee salary;
- Median income in the county or municipality;
- Average school grade for the county or municipality; and
- Crime rate for the county.

By January 15, 2021, the bill requires DFS to establish an interactive website that allows residents to compare the information about each county and municipality. In addition to the information contained in the local government report, the website must provide the:

- Population of each county or municipality;
- Unemployment rate for each county or municipality;
- Percent of budget spent on salaries and benefits for county or municipal employees, as applicable, and the rank for the county or municipality compared to all counties and municipalities;
- Number of special taxing districts located wholly or partially within each county or municipality; and
- Government revenue per resident for each county or municipality, as applicable, and the rank of the county or municipality as compared to all counties and municipalities.

⁹ S. 218.32(1)(e), F.S.

¹⁰ S. 218.32(1)(a), F.S.

¹¹ S. 218.32(1)(g), F.S.

¹² The Office of Economic and Demographic Research is an entity established by Joint Rule 3.1 of the Legislature to provide research support services, principally regarding forecasting economic and social trends that affect policymaking, revenues, and appropriations. EDR maintains a compilation of annual reports and data regarding local governments, which can be found at <http://edr.state.fl.us/Content/local-government/index.cfm#reporting> (last visited Jan. 22, 2020).

¹³ Ss. 129.03(3)(d) and 166.241(4), F.S.

The bill authorizes DFS to choose one or more contractors to design and distribute the local government report to residents and to create the interactive website; however, DFS must select contractors through an open request for proposal process pursuant to ch. 287, F.S.

The bill repeals the requirement that county and municipal budget officers report specified information regarding its final budget and the economic status of the local government to EDR. Instead, the bill requires counties and municipalities to submit to DFS, in a manner and format established by department rule, information necessary for the preparation of the local government report and interactive website. This information must be reported by October 15, 2020, and each October 15 thereafter.

B. SECTION DIRECTORY:

Section 1: Amends s. 129.03, F.S., relating to the preparation and adoption of county budgets.

Section 2: Amends s. 166.241, F.S., relating to municipal fiscal years, budgets, and budget amendments.

Section 3: Creates s. 218.323, F.S., relating to county and municipal fiscal and economic information and reporting requirements.

Section 4 Provides the bill takes effect upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill has an indeterminate negative fiscal impact on expenditures and staff time of DFS. The bill requires DFS, by January 15, 2021, to establish an interactive website that allows residents to compare information about counties and municipalities. The bill also requires DFS, starting January 15, 2021, and each January 15 thereafter, to generate and distribute a local government report to all households in the state containing a registered voter.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

The bill requires each county and municipality to submit electronically certain information regarding its fiscal and economic status to DFS and repeals a requirement that each county and municipality electronically submit certain information regarding its final budget and economic status to EDR. The submission of this information may have an indeterminate, yet insignificant, fiscal impact on the expenditures and staff time of local governments; however, the information submitted to DFS is largely the same information as is currently submitted to EDR. As such, the fiscal impact of this bill should be minimal.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill requires DFS to establish by rule the method and format for counties and municipalities to submit electronically certain information regarding their fiscal and economic status as required by the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.